

STATEMENT OF SENATOR JOHN McCAIN
CHAIRMAN, SENATE COMMITTEE ON
COMMERCE, SCIENCE, AND TRANSPORTATION
FULL COMMITTEE HEARING
ON AVIATION AND THE INTERNET
JULY 20, 2000

- C I want to thank our witnesses for being here today to discuss the remarkable revolution that is underway with regard to travel purchases on the Internet. Analysts have concluded that travel rates as the “number one” product that consumers want to buy on the Internet. Perhaps that is the best indication we have of the potential benefits the Internet offers air travelers.
- C American, Continental, Delta, Northwest and United Airlines recently announced their joint efforts to establish an airline-owned online travel agency called Orbitz. Orbitz plans to use a relatively new and sophisticated software program to analyze airline flight and fare data for its customers, to provide them with the best travel options. The test site for the software is impressive.
- C Even so, the announcement has caused a great deal of controversy. Consumer advocates question whether a collaboration among competitors can ever operate in the best interests of air travelers. Concerns have been heightened by the prospect of additional consolidation in the airline industry.
- C This hearing intends to examine what consumers stand to gain and what they stand to lose from the advent of online travel agencies, including Orbitz. What this hearing does not intend to do is focus on what Orbitz’s established competitors, namely Travelocity and Expedia, stand to lose from Orbitz’s presence in the market. These competitors are engaged in a pitched battle for the growing Internet travel business. By and large it is up to the marketplace to decide how each competitor ultimately fares, and I strongly believe that such competition will ultimately benefit the consumer.
- C I suspect that the reaction of the low fare air carrier community to Orbitz is one way for us to gauge the effect that Orbitz will have on competition in the industry. Like it or not, we depend on low fare air carriers for nearly all of the benefits of deregulation. The Department of Transportation estimates these benefits to be 6.3 billion dollars in annual savings to airline passengers.

- C We need to explore why Southwest Airlines, for instance, submitted testimony today stating its unalterable opposition to Orbitz. Orbitz claims to offer, for the first time, competition on the Computer Reservation System booking fee, which would disproportionately benefit the low fare carriers. Why, then, aren't the low fare carriers racing to sign up for these benefits?
- C The Committee has a history here. Several of us were around when the airlines created Computer Reservation Systems for travel agents to use to search flight and fare data for their customers. We found that, over time, the airline-owners used CRS's to disadvantage their competitors. Among other things, they used display bias to shift sales to their airlines, and they used their market power to impose excessively high fees on participating nonowner airlines.
- C I realize that Orbitz is technically different from the standard Computer Reservation Systems. However, many of the same problems face us now that faced us when the CRS's were established. It would be foolish for us to ignore our past experience. We need to look at the down-the-road market power of a site that may be the only outlet for the best deals that the airlines have to offer.
- C Again, I want to thank our witnesses for their appearance at this hearing.